



County of Los Angeles CHIEF EXECUTIVE OFFICE

Kenneth Hahn Hall of Administration
500 West Temple Street, Room 713, Los Angeles, California 90012
(213) 974-1101
<http://ceo.lacounty.gov>

WILLIAM T FUJIOKA
Chief Executive Officer

April 4, 2014

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To: Supervisor Don Knabe, Chairman
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From: William T Fujioka
Chief Executive Officer

A handwritten signature in black ink, appearing to read "W. T. Fujioka", is written over the printed name and title.

WASHINGTON, D.C. UPDATE ON MEDICARE "DOC FIX" BILL (H.R. 4302)

Executive Summary

This memorandum is to provide the Board with an update on the enactment of a Medicare "Doc Fix" bill (H.R. 4302) which delays for one year a 24 percent reduction in Medicare physician rates that were scheduled to take effect on April 1, 2014. The bill also includes the following provisions of County interest:

- Revises the Affordable Care Act's (ACA) Medicaid Disproportionate Share Hospital (DSH) reductions by eliminating the \$1.2 billion DSH cut for Federal Fiscal Year (FFY) 2016; reducing DSH cuts to \$4.7 billion a year in FFYs 2018 and 2019; increasing DSH cuts to \$4.7 billion in FFY 2020, \$4.8 billion in FFY 2021, and \$5.0 billion in FFY 2022 and FFY 2023, respectively; and adding a \$4.4 billion DSH cut in FFY 2024; and
- Extends the Maternal, Infant, and Early Childhood Home Visiting Program for six months through March 31, 2015.

Medicare "Doc Fix" Bill (H.R. 4302)

On April 1, 2014, President Obama signed into law H.R. 4302 (Public Law 113-93), a Medicare "Doc Fix" bill which averts for one year a 24 percent reduction in Medicare physician payment rates that were scheduled to take effect on April 1, 2014. This is the 17th time that Congress enacted short-term delays in imposing Medicare physician payment cuts that would have been required by a payment formula enacted under the Balanced Budget Act of 1997. H.R. 4302 was introduced on March 26, 2014 and was

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quickly passed by both houses. It was enacted after a bipartisan effort to permanently repeal the Medicare physician payment formula failed because agreement could not be reached on how to offset the high cost of a permanent Medicare Doc Fix. The Congressional Budget Office (CBO) estimated that the cost of the one-year delay of Medicare physician payment cuts under H.R. 4302 to be \$15.8 billion.

ACA Medicaid DSH Reductions: To help finance the estimated \$15.8 billion cost of delaying the Medicare physician payment cuts for one year, the bill would reduce net Medicaid DSH spending by \$4.4 billion over the next 10 years through FFY 2024, as estimated by the CBO. The bill makes the following changes to Medicaid DSH cuts:

- Eliminates the \$1.2 billion DSH cut for FFY 2016;
- Reduces DSH cuts in FFYs 2018 and 2019 to \$4.7 billion a year;
- Increases DSH cuts to \$4.7 billion in FFY 2020, \$4.8 billion in FFY 2021, and \$5.0 billion in FFYs 2022 and 2023; and
- Adds a DSH cut of \$4.4 billion in FFY 2024.

Under current law, FFY 2016 is the first year in which Medicaid DSH funding would be cut, and FFY 2023 is the last year in which Medicaid DSH funding would be cut. The \$1.8 billion DSH cut in FFY 2017 would not be changed by H.R. 4302. The bill also requires the Medicaid and CHIP Payment and Access Commission to annually report DSH-related data, such as on the number of uninsured persons and hospital uncompensated care costs, to Congress with the first report due by February 1, 2016.

Maternal, Infant, and Early Childhood Home Visiting (MIECHV) Program: The bill also extends the MIECHV Program, which funds evidence-based home-visiting services, for six months through March 31, 2015 at a cost of \$400 million. This program, which was established by the ACA, otherwise, would have expired at the end of FFY 2014. The County's Department of Public Health currently receives MIECHV funding through the State of California.

We will continue to keep you advised.

WTF:RA
MR:MT:ma

c: All Department Heads
Legislative Strategist